Consumption Pattern: A Comparative Study With Specific
Reference To The Engel's Law Of Two Different Income
Groups In Bangsar.

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Latihan Ilmiah
Bagi Memenuhi Sebahagian
Daripada Syarat-syarat Untuk
Ijazah Sarjana Muda Sastera

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Due to the limited time, manpower and finance at my disposal, it was not possible to make the study more exhaustive both in regard to theoretical analysis and quantitative. With regard to the fact that not many active engagements and survey were done on this scope, it is hoped that this piece of graduation exercise could assist future studies to enlarge consumerism studies and related research in many respects.

Lastly, I would like to extend my sincere appreciation to all my respondents for their invaluable co-operation and to my friends, especially Wai Yoke and Agnes who assisted me in various aspects of this exercise.

SYNOPSIS

This academic exercise is an attempt to test the validity of the Engel's Law in the context of consumption pattern. Attention is directed towards two different income groups with the aim of achieving its objectives through comparisions.

The study has been arranged into five chapters, beginning with Chapter I as introduction, which discusses the objectives of the study. Other matters discussed in this chapter include the target groups chosen, the area selected and the methodology used for the study and lastly, the limitations of survey data.

Chapter II outlines the various definitions, concepts and theories used in the study. Special attention was directed to the Engel's Law and Consumer Behavior.

Chapter III is a detailed analysis on the life-styles of the high income respondents, with specific reference on their monthly income-expenditure relation and monthly consumption pattern.

Chapter IV on the other hand, aims at analysing the life-styles of the low income respondents with close scrutiny on their monthly income-expenditure relation and monthly consumption pattern.

Chapter V sums up the discussion with an attempt to compare and contrast the consumption pattern of the two different income groups chosen for the study. At the same time, conclusion regarding the validity of the Engel's Law are drawn from the findings.

SINOPSIS

Latihan Ilmiah ini merupakan satu usaha untuk mengkaji kesahihan Hukum Engel dalam konteks corak perbelanjaan. Perhatian yang khusus telah diberi pada dua kumpulan responden yang berpendapatan berlainan supaya objektif kajian dapat dicapai melalui analisis corak perbelanjaan di antara mereka.

Kajian ini telah dibahagikan kepada lima bab. Bab I, sebagai pendahuluan, menyentuh aspek-aspek seperti objektif kajian, responden-responden dan tempat yang telah dipilih untuk kajian, kaedah yang digunakan serta kelemahan-kelemahan data-data kajian.

Bab II memperkenalkan beberapa definasi, konsep dan teori yang digunakan dalam kajian ini. Perhatian yang tertentu telah diberikan pada Hukum Engel dan Tingkah-laku Pengguna.

Dalam Bab III, satu analisa yang menyeluruh telah dibuat ke atas corak hidup responden-responden yang berpendapatan tinggi dengan rujukan yang khusus terhadap perhubungan di antara pendapatan-perbelanjaan bulanan dan corak perbelanjaan bulanan.

Bab IV pula bertujuan untuk menganalisa corak hidup responden-responden yang berpendapatan rendah di mana perhatian yang khas telah diberi kepada perhubungan di antara pendapatan-perbelanjaan bulanan dan corak perbelanjaan bulanan mereka.

Sebagai kesimpulan, Bab V bertujuan untuk membanding dan membezakan corak perbelanjaan di antara kedua-dua kumpulan responden yang telah dipilih untuk kajian. Pada masa yang sama, kesimpulan mengenai kesahihan Hukum Engel telah dicapai dari hasil-hasil kajian.

CONTENTS

List of Tables   Page

INTRODUCTION

1.1 Objectives

The objective of the present micro study is designed to
test the validity of Engel's Law in the context of consumption
pattern with close references to the purchasing behaviour and
spending habits of consumers. Engel's Law is a theory of consump-
tion choice which is based on two variables: income and demand.

This study deals with some of the problems pertaining to
the measurement and analysis of the consumption patterns of the
low income group and the high income group. It is rather difficult
to define clearly the basis on which a group may be classified
as belonging to the low or high income group because the disting-
guishing line between them has always been defined according to
the various situations in which it occurs. Most of the families
interviewed, whose data are here presented, earn a monthly income
ranging between $600/= and $13,000/=, with the low income group
fluctuating between $600/= and $1,880/= and the high income group
between $1,900/= and $13,000/=.

An important objective of the present study is to compare
household consumption patterns of the lower income respondents
with those of the higher income and to note the similarities and
differences between them. To further understand the subject, it
is essential to probe deeper into the various aspects of their

consumption patterns such as what they own, the prices they pay for their products, where they normally shop and the method of payment practised. An examination of income-expenditure relationships in different social groups in the selected areas for research throws light on various important aspects such as how much of their income they spend on basic necessities and how these expenditures alter with changes in income earnings. In this study, basic necessities refer to goods like food, clothing and shelter.

It was the interest of the researcher to select only Chinese households as respondents as this allows for a better and clearer comparison between them. Since respondents were selected at random, the researcher interviewed not only Chinese households but also Malay and Indian families throughout the course of the survey. However, the majority of the respondents interviewed were Chinese and only a small portion consisted of Malays and Indians (See Table 1.1).

1.1 Ethnic group of respondents

Race	Number of family	Percentage
Malay	1	2
Chinese	48	96
Indian	1	2
Total	50	100

(a) Respondents from Bangsar Baru

Race	Number of family	Percentage
Malay	-	-
Chinese	49	98
Indian	1	2
Total	50	100

(b) Respondents from Sri Pahang Flats

1.2 Target Groups

The study was conducted in two areas which are situated in Bangsar, namely Bangsar Baru and Sri Pahang low cost flats. These two places were chosen due to their strategic locality which allow for a better comparison and contrast between the two target groups chosen.

Respondents were picked at random and on the spot and they did not have any foreknowledge of the survey. Due to the constraints of time and finance, it was decided that data should be collected from a total of one hundred households and all of them should be of Chinese ethnicity. Fifty of the respondents were selected from Sri Pahang low cost flats while the other half were residents of Bangsar Baru.

Respondents of Sri Pahang low cost flats represent the low income group. Their family income range from $600/- to $1,880/= per month. The high income group is represented by respondents

residing at Bangsar Baru. Their family household income range from
$1,900/= to $13,000/= per month. Therefore, they can be classified
under the upper middle class.

1.3 Area

A brief account of Sri Pahang flats, Bangsar Baru, the shops
and markets in the vicinity and the characteristics of the respon-
dents could provide us with a further understanding of the consumer
behaviour.

(A) Sri Pahang Low Cost Flats

An informal interview with the officer-in-charge of Sri Pahang
flats reveals that the flats are a government-sponsored project. The
flats were first occupied on 1st September, 1975. Units of flats
are open only to families with a monthly household income below
$1,500/=. The flats consist of three main blocks: block one, block
two and block three (See Appendix 1 and Table 1.2). Block one and
three are made up of 264 units each while block two is made up of
256 units. There are 16 units on every floor; of which eight units
are single-bedroom-units and the other eight are double-bedroom-
units. A single-bedroom-unit costs $72/= per month in rental while
a double-bedroom-unit costs $95/=.

The Malays are the predominant group at Sri Pahang flats
because they account for 64% of the household population, 22% of

the population are Indians and the other 14% are Chinese. There

are 1,459 people residing in block one, 1,403 in block two and

1,406 in block three. Presently there are 5 units in block one

and block three which are still vacant. In block one, a total of

257 units are occupied, of which 178 units are occupied by Malay

families, 24 units by Chinese families and 55 units by Indian

families. All the 255 units in block two are fully occupied: 174

units are occupied by Malay families, 18 units by Chinese families

and 63 units by Indian families. Out of the 254 units which are

available in block three, 178 units are occupied by Malays, 28

units by Chinese and 48 units by Indians.

It was discovered that quite a number of units on the ground

floor are reserved for official use. In block one, there are two

units which are converted into prayer rooms (surau). In block two,

a unit is meant for a clinic and another unit is reserved for use

as a community hall. The kindergarten classroom is made up of two

units. In block three, 3 units are reserved for the respective

purposes: 'rukuntetangga' quarters, social welfare office, library

and nursery. There are 2 units which were converted into a mini-

police station.

There is a small wet market in the compound of Sri Pahang

flats. The market consists of only 20 vegetable and meat stalls

and 10 food stalls on the ground floor of blocks one and two.

In addition to these, there are also 14 sundry shops. Interviews with respondents at Sri Pahang flats reveal that the night market (pasar malam) is set up on Wednesday and Friday evenings.

(B) Bangsar Baru

Bangsar Baru, an upper middle class residential area is situated next to Sri Pahang flats, It is considered as a new residential area as its 'youngest' house is about 10 years old. Since then, housing projects have been mushrooming in Bangsar Baru until this day. To date, there are approximately 1,340 houses in this area. Respondents were selected from the houses within the enclosed area of Jalan Ara and Jalan Telawi (Refer to Appendix 2). These are double-storey link or semi-detached houses with either four or five bedrooms.

There is a sports complex and a Bangsar Baru Residential Association which is very much active in Bangsar Baru and it was through the help of the secretary of this association that co-operation was obtained from most of the respondents interviewed. There is also a shopping arcade with ample parking space, grocery shops, a certain Teng Mini Market and a wet market on the boarder between Bangsar Baru and Lucky Garden.[1] These provide shopping

and marketing facilities for most of the residents in Bangsar Baru.

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1. Lucky Garden is situated next to Bangsar Baru.

Other facilities include a post office, banks, dental and medical clinics as well as furniture and electrical shops.

(C) Grocery Retailers

The study of the present survey will not be complete without the data from proprietors who are running businesses in Bangsar Baru and Sri Pahang flats. The interviewer visited 30 shops in both areas and friendly interviews were conducted with the proprietors concerned. It was discovered that all the proprietors interviewed offer monthly credit to their customers. The majority of customers who buy on credit are Indians and Malays. Shopkeepers prefer to provide credit to regular customers rather than to those who do not frequent their shops. In addition to this, they also provide delivery services free of charge to customers who buy in bulk or in large quantities. Sundry shops in Bangsar Baru are of moderate sizes (approximately 15 feet by 25 feet per shop lot) while those in Sri Pahang flats are very much smaller (approximately 8 feet by 12 feet per shop lot). In terms of quantity, it is observed that proprietors at Bangsar Baru keep a greater amount of stocks than store-keepers at Sri Pahang flats.

1.4 Methodology

Data on family income and spending habits in relation to family

size was collected by the use of two principle methods:-

    i. the questionaire method, and

    ii. the interview method.

i. Questionaire Method

Open-ended questionaires were prepared for the purpose of this study (See Appendix 3). In the process of collecting data, sets of questionaires were distributed to various households. Households were left to till up the questionaires on their own without any assistance from the interviewer. Households are normally given at least a period of one day to fill up the questionaires. The interviewer will then collect the completed questionaires from the respondents. Throughout the course of the survey, it was discovered that the main drawback of this method was that the carefully-planned questions held different meanings for different people. This accounts for the tendency to misinterpret the questions. Consequently, some of the answers given were found to be unreliable and confusing compared to those received through the interview method.

Due to the low level of literacy which exists among residents staying in Sri Pahang low cost flats, the questionaire method was particularly unsuitable. The interviewer only managed to distribute 2 sets of questionaires to families residing at Sri Pahang low cost flats. The rest of the respondents from that area were personally interviewed. The interviewer learnt that only very few people

residing at Bangsar Baru accede to completing such questionaires.
When asked why, those who were reluctant to fill the questionaires
cited various reasons and excuses such as being hard-pressed for
time, lacking in interest and not knowing how to fill the question-
aires. In such cases, the interviewer had to persuade the respondents
to be more co-operative. When the respondents were still reluctant
to co-operate, the interviewer had no choice but to proceed to another
household as the interviewer could not afford to waste too much time
on one household alone.

Since a small number of people replied to questionaires, there
was no way of knowing whether the group replying is representative of
the population or not. This created a problem of obtaining a
representative sample and eradicating the biases which arise in
the process of collecting data. To overcome such problem, the
interviewer had to resolve to the interview method.

ii. Interview Method

In this method, the interviewer interviewed the respondents
and jotted down the answers given by the respondents as they re-
collected the expenditures incurred on different items, the venue of
purchase and the frequency of purchase within the specified period of
enquiry. Since answers were based mainly on memory power, the interviewer
had to be aware that the accuracy of results may vary on the respond-
ents' ability to recall expenditures. As such, a rough estimation of
prices became a common feature. As anticipated by the researcher, a

number of respondents deliberately submitted inaccurate prices of products purchased and gave a false figure as to the family total income. This is because people normally do not wish to disclose their personal particulars such as property ownerships to strangers.

Despite the few drawbacks mentioned, the interview method was found to be helpful in explaining ambiguous terms and to avoid inconsistent answers. Here, the interviewer had to be tactful in order to obtain more accurate and meaningful information than was otherwise possible from the respondents. At times the interviewer had to ask very indirect questions in order to obtain the desired information from the respondents. In most interviews, a friendly relationship would be established with the respondents throughout the course of the interview. This was so that the respondents may feel more secure in disclosing more information required by the interviewer.

In the absence of conclusive evidence in favour of any one of the above methods, it was decided that a combination of the questionaire and interview techniques be used. These methods were found to be more appropriate because the findings from one method may complement that of the other. In this way, doubts and queries which may arise from any one method may be cleared. As such, the accuracy of the findings from both methods could also be verified.

1.5 Limitations of Survey Data

The main limitations of the survey were posed by the expenses incurred and the time factor. Since funds available were generally

limited and time given was painfully short, any attempt to increase the size of the sample would be impossible. Therefore, it was not possible to make this study more exhaustive.

The accuracy of the survey data collected was affected by the prejudice in the method of selecting households, the lack of response, the pattern of questions in the questionaire, the recording of information, the interpretation of data or interviewer bias, and others. Since households were selected at random, it was difficult to subdue prejudices. In the case of unresponsive respondents, the interviewer could not do much to solve the problem except to hope that the next household interviewed would co-operate and respond more voluntarily. In spite of a voluntary response the answers given contained certain errors. To quote an example, the interviewer interviewed a couple staying at Bangsar Baru. It was discovered that certain details or information provided by the husband contradicted those given by the wife. In the case of non-disclosure or lying, there were no data or proofs to check such misreporting.

Some respondents were reluctant to report their expenditures on certain items correctly. Throughout the survey, it was found that a number of high income households understated their extravagance while a few low income households overstated their expenditure. Also, expenses attributed to investment, property acquisition, etcetera were under-reported for these are considered very personal subjects to the respondents. Generally, respondents were reluctant to give

information on matters such as income, profit, interest, property
and savings or investments. In instances where the head of a family
was not available, the other family members were ignorant of their
family budgets. There were instances where the children of households
interviewed disclose their family budgets based on rough estimations.
As such, inaccurate information received also contribute to mis-
reporting. During the course of the survey, it was noticed that some
respondents were suspicious of the motives of the interviewer. This
major obstacle thwarted the aims of the researcher as there was no
full co-operation from the respondents. Besides that, inaccurate data
were submitted. To remedy the situation, the interviewer had to
convince the respondents that she is merely a student who is doing
a research as part of the requirements of her course and is not a
representative from the State Statistics Department. Only then did
the interviewer manage to elicit information from these suspecting
respondents.

Figure 1:- Data and Statistics of Sri Pahang Flats

Main block (3)	Unit
Block 1	264
Block 2	256
Block 3	264
Total	784

Monthly rental per unit	($)
Single bedroom	$72/=
Double bedroom	$95/=

Occupancy	Block 1	Block 2	Block 3
Unoccupied	5 units	-	5 units
Occupied	257 units	255 units	254 units
Malay family	178 units	174 units	178 units
Chinese family	24 units	18 units	28 units
Indian family	55 units	63 units	48 units

Residents

Race	Block 1	Block 2	Block 3
Malay	961	885	920
Chinese	142	98	162
Indian	356	420	324
Total	1,459	1,403	1,406

Ethnic Percentage

Race	Percentage
Malay	64%
Chinese	14%
Indian	22%
Total	100%

Shops and Stalls

Shop/Stall	Unit
Shop	14
Food Stall	10
Market Stall	20
Total	44

Units for Official Use

Block	Unit
Block 1	2 units for prayer room
Block 2	1 unit for clinic
	1 unit for community hall
	2 units for kindergarten class room
Block 3	1 unit for "rukun-tetangga" quarter
	1 unit for social welfare office
	1 unit for library
	1 unit for nursery
	2 units for police officials

CHAPTER II

DEFINITIONS, CONCEPTS AND THEORIES

In this survey it is important and essential to provide a clear definition of the concepts and theories used in this particular study. The main purpose for doing so is to prevent any misconception and misinterpretation of the objectives of the study. As this is a study on consumption patterns of the consumer, with specific reference to Engel's Law, it is vital to discuss Ernest Engel's theory of consumption. At the same time, close attention is also directed to some aspects of consumer behavior.

Engel's Law

Consumer behavioral patterns change as income rises. Ernest Engel came up with his original Engel's Law which puts forward the theory that the percentage of income spent on food will decrease as income increases. When income increases, family expenditure will also increase but percentage spent on food will decrease (See Figure 2.1). However, the percentage of income reserved for luxuries and savings will increase.

2.1 Engel's Curve

Income

y₂

y₁

0   x₂   x₁   Demand for food

Income axis with y_2, y_1 marked; horizontal axis "Demand for food" with x_2, x_1.

(a) Engel's Law on income and demand for food

Income axis with y_2, y_1 marked; horizontal axis "Demand for luxuries/savings" with x_1, x_2.
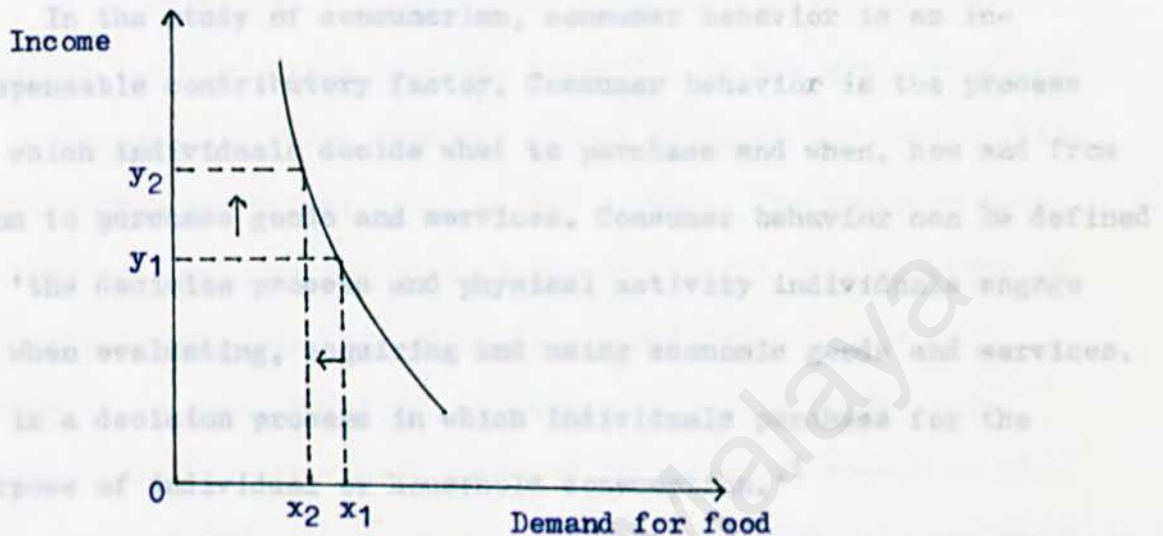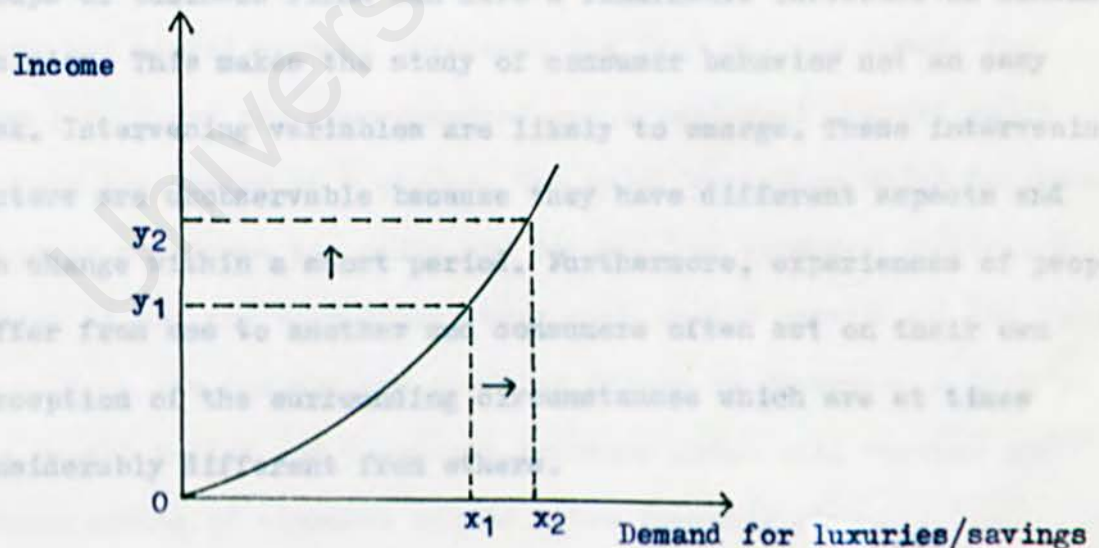
(b) Engel's Law on income and demand for luxuries/savings

16/...

Definition of Consumer Behavior

In the study of consumerism, consumer behavior is an in-
dispensable contributory factor. Consumer behavior is the process
in which individuals decide what to purchase and when, how and from
whom to purchase goods and services. Consumer behavior can be defined
as 'the decision process and physical activity individuals engage
in when evaluating, acquiring and using economic goods and services.
It is a decision process in which individuals purchase for the
purpose of individual or household consumption.'[1]

Consumer behavior is a very complex subject. Generally, there
are many underlying social environmental factors which influence
consumer behavior. Behavior is a very subjective aspect of a human
being. It must be taken into account that other individuals and
groups or business firms can have a remarkable influence on consumer
decision. This makes the study of consumer behavior not an easy
task. Intervening variables are likely to emerge. These intervening
factors are unobservable because they have different aspects and
can change within a short period. Furthermore, experiences of people
differ from one to another and consumers often act on their own
perception of the surrounding circumstances which are at times
considerably different from others.

17/...

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1. Loudon, David L, Dellabitta, Albert J., Consumer Behavior:

Concept and Applications, McGraw Hill Book Company, 1979, p.5

Theories and Concepts of Consumer Behavior and Consumer Choice

It is universally assumed that consumers behave rationally. Rational behavior means behaving according to the systematic set of preferences in which consumer choice is based upon self-satisfaction from every cent spent on any product. The consumer makes choices and purchase decisions based on careful consideration of economic situations. This assumption constitutes to the main theory of consumer behavior and consumer choice. Beside this, there is yet another widely accepted theory which specifies that poor people spend larger shares of their income on basic necessities than those with higher incomes.

When studying consumer choice, it is important to keep in mind that the individual's choice of specific buying decisions are determined by various variables; such as information available about the market segment involved, the product, the brand, the shop itself and the environmental and situational context which prompts the making of a choice. Two major variables which determine consumer purchases are price and income. The consumer choice and action at any one time depend very much on his assets and his income as well as the current and expected prices of products. A look at the Engel, Kollat and Blackwell consumer model will further our understanding of consumer choice. (See Appendix 4)

This model consists of four major concepts: the central control unit, information processing, the decision process and the environment. The central control unit in the model represents the consumer's mind where experience, attitudes and personality are co-ordinated through evaluative criteria in response to external information filtered in. The individual's mind reacts to external stimuli and initiates the decision process. In other words, the individual controls his interaction with the surrounding world. In information processing, external stimuli pass through the filter to become a part of the central control unit. There are four phases involved in this process:

1. exposure (physical and social stimuli)
2. attention (becoming a part of the mind)
3. comprehension (understanding), and
4. retention (stored for future use.)

Exposure is a situation in which the consumer acquires a message or knowledge about a product through advertisements, sales pitches, friends and so on. This activates one or more of the senses and preliminary information takes place. It may or may not attract attention. Attention is more likely attracted if exposure is voluntary. The message is later processed in the short-term memory so that the meaning of the context is clarified. At this stage, comprehension is achieved. If the stimulus received is grasped by

the mind and given meaning, it is compared against existing
evaluative criteria and beliefs that are stored in the long-
term memory. The existing beliefs will be altered or reinforced
if there is compatibility with these beliefs. Thus, the retention
of these messages in the long-term memory will occur.

Based on how stimuli are received and stored in the mind,
the consumer decides what action to take in response to the stimuli.
Decision-making consists of five important phases: problem recog-
nition, internal search and evaluation of data, external search
and evaluation of data, choice and post-purchase evaluation.
Problem recognition refers to the initiation behind the process
of decision making. Internal search and evaluation of data involves
the finding out of information used to help arrive at a purchasing
decision. The relative influence of these sources of information
is also taken into consideration. Often, one particular brand will
be preferred over others based on past experience. In order to
allow immediate purchase, a decision must be made on the spot.
External search and evaluation of data focus on the criteria used
by the consumer to assess available alternatives. This stresses on
the resulting beliefs and attitudes about the options and the status
of purchase intention. Choice, as the word suggests, is the select-
ion made from among the available alternatives. Post-purchase
evaluation of the choice made can either be satisfaction over a

purchase or doubt as to whether a correct purchasing decision was made. In between these stages, environmental influences may affect the information or the evaluation of decision making.[2]

In order to ascertain the validity of the model here in the context of this study, it is vital to know the background of the respondents from the two settlements selected for this study. A detailed account and an analytical examining on respondents of Bangsar Baru will be discussed in this chapter while respondents of Sri Pahang are near flats will be dealt with in the following chapter.

As a preface to this discussion, it is best to touch on a few aspects which include age, occupation and monthly salary of the heads of the families surveyed. It is discovered that the majority of the heads of families interviewed in Bangsar Baru are between thirty to fifty years of age (See Table 3.1). There is little doubt that at this age, most of the respondents have already started a family of their own and are doing well in life. This is so for data collected shown that 98% of the heads of the families selected for this study in Bangsar Baru are already married. Most of them are holding jobs which require professional qualifications such as managers, accountants, engineers, lawyers, bank officers, executives and so on (See Table 3.2).

21/...

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2. The idea of the mentioned Consumer Behavior Model is taken from a book by James F. Engel and Roger D. Blackwell entitled Consumer Behavior, The Dryden Press, 1982.

CHAPTER III

BANGSAR BARU: AN ANALYSIS ON THE LIFESTYLES OF THE HIGH INCOME
RESPONDENTS

In order to ascertain the validity of Engel's Law in the
context of this study, it is vital to know the background of the
respondents from the two settlements selected for this study. A
detailed account and an analytical scrutiny on respondents of
Bangsar Baru will be discussed in this chapter while respondents
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families selected for this study in Bangsar Baru are already
married. Most of them are holding jobs which require professional
qualifications such as managers, accountants, engineers, lawyers,
bank officers, executives and so on (See Table 3.2).

3.1 Bangsar Baru: Age range of heads of the families

Age Range	Number of Person
25 - 30	6
31 - 35	6
36 - 40	17
41 - 45	8
46 - 50	7
51 - 55	2
56 - 60	3
61 - 65	1
Total	50

3.2 Bangsar Baru: Types of Occupation of Heads of Families

Occupation	Number of Person
Businessman	2
Manager	7
Technician	1
Engineer	6
Consultant	2
Lawyer	3
Bank Officer	2
Bank Clerk	1
Director	1
Accountant	4
Executive	6
Remisier	1
Financial Controller	1
System Analyst	1
Architect	1
Tin Miner	1
Pensioner	1
Hospital Matron	1
Assistant Manager	1
Evaluer	1
Quality Controller	2
Chemist	1
Pilot	1
Administration Officer	2
Total	50

With regard to this, the household income of each family exceeds $1,500/= per month, ranging from $1,900/= to $13,000/=. However, the monthly income is not contributed only by a sole bread winner of the family. Interviews with respondents in Bangsar Baru reveal that at least 90% of the spouses are working too. There are also instances where the children of some families are old enough to work and they do contribute to the family's earnings. To quote an example, the interviewer has come across a case in which there are three working people within a family; a businessman, a supervisor and a food technologist.

Generally, family sizes of households in Bangsar Baru are relatively small. The number of persons in a household is between two and six. The majority of the parents have about two or three children per family. Therefore, consumption of basic necessities for these families is small too. As much as 98% of these families interviewed spend less than half of their monthly income on basic necessities and only 2% spend more than 50% of their income on basic goods (See Table 3.3 and Figure 2).

3.3 Bangsar Baru: Pattern of expenditure on basic necessities with respect to total household income

Total Income (percentage spent)	Number of Household
10 and below	6
10 - 20	34
20 - 30	8
30 - 40	-
40 - 50	1
50 - 60	1
60 - 70	-
70 - 80	-
80 - 90	-
90 - 100	-
Total of Household	50

Figure 3.1:- Bangsar Baru: Pattern of expenditure on monthly basic
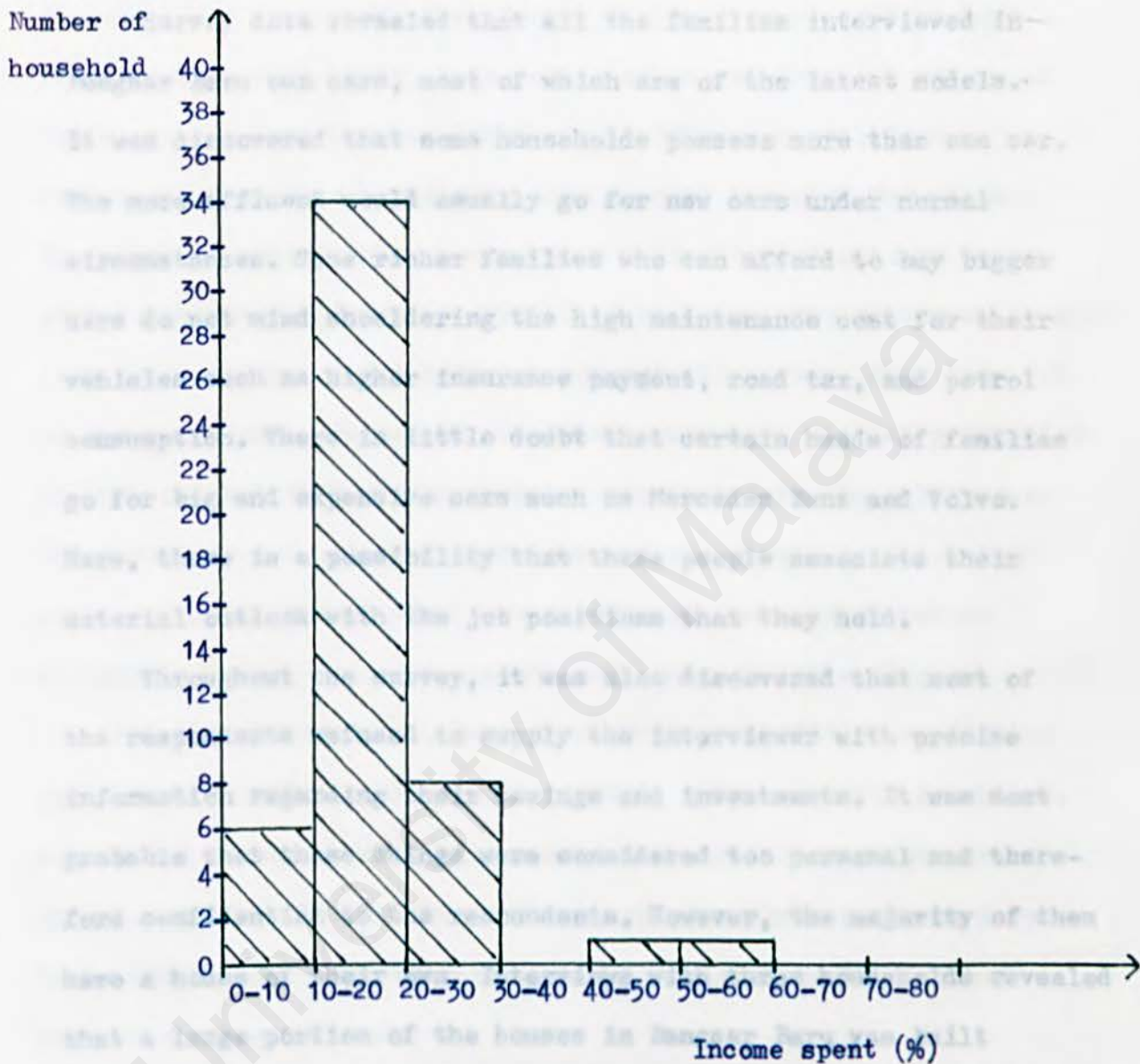goods with respect to total income.

Number of
household

Figure 3.1:- Bangsar Baru: Pattern of expenditure on monthly basic
goods with respect to total income.

Survey data revealed that all the families interviewed in Bangsar Baru own cars, most of which are of the latest models. It was discovered that some households possess more than one car. The more affluent would usually go for new cars under normal circumstances. Some richer families who can afford to buy bigger cars do not mind shouldering the high maintenance cost for their vehicles such as higher insurance payment, road tax, and petrol consumption. There is little doubt that certain heads of families go for big and expensive cars such as Mercedes Benz and Volvo. Here, there is a possibility that these people associate their material outlook with the job positions that they hold.

Throughout the survey, it was also discovered that most of the respondents refused to supply the interviewer with precise information regarding their savings and investments. It was most probable that these things were considered too personal and therefore confidential to the respondents. However, the majority of them have a house of their own. Interviews with three households revealed that a large portion of the houses in Bangsar Baru was built about ten years ago. At that time, a double storey terrace house cost about $60,000/=. Currently, such a house is worth at least $200,000/=, exclusive of furniture. Considering this, residents in Bangsar Baru can be said to be quite wealthy.

A large number of the houses in the area are very well

furnished and decorated. The choices of the owners' settees tend
to be of expensive taste. Data collected showed that the prices of
their settees cost between $800/= to $5,000/= per set. It was
discovered that some households also possess imported furniture.
The owner of a particular house has a collection of antique bowls,
plates and vases. Expensive crystal chandeliers were also seen hanging
from the ceilings of the halls of some of the houses. More than 90%
of the households visited by the interviewer have partially carpeted
floors. All the 100% of the households selected by the interviewer
for the study own colour televisions and video sets of the latest
models. Certain houses also have electronic equipments such as
amplifires, mini-component systems and radio-cassette players.

For the richer group, buying expensive commodities or durable
goods such as refrigerators, televisions, video-cassette recorders,
radios and others through hire purchase or installments is not a
normal practice. They would prefer to pay for these goods on a cash
basis (See Table 3.4). The rich are not governed by limitations
such as shortage of cash.

3.4 Bangsar Baru: Mode of payment for durable goods

Goods	Installment	Cash
Radio	1	47
Television	2	48
Video Set	1	47
Sewing Machine	-	28
Refrigerator	2	47

There are other factors which must be taken into account when testing Engel's Law. These are: the place and the kinds of shops patronised, distance from and means of transport to the shops as well as frequency of purchase. Survey data showed that the respondents from Bangsar Baru shop in various places such as Kuala Lumpur, Petaling Jaya, Damansara, Lucky Garden and Bangsar itself for their daily consumptions or non-durable necessities. Data collected revealed too that 28% of the respondents from Bangsar Baru prefer to do their weekly marketing outside their immediate neighbourhood. They do not mind travelling to Kuala Lumpur, Petaling Jaya and Damansara to do their weekly marketing as supplies or stocks available there are abundant and fresh. Hence, these places enable them to make their selection from a wider range of goods. Occassionally when the need arises, they also buy from door-to-door vegetable sellers or fish mongers. A large portion of the respondents do their purchasing either in Teng Mini Market (known as TMC) or Lucky Garden which are situated about 200m away from Bangsar Baru (See Table 3.5).

3.5 Distance and venue for purchasing non-durable household goods

Venue	Distance	Wet Market Goods	Sundry
TMC/Lucky Garden	200m	34	47
Kuala Lumpur	6 - 8km	10	-
Petaling Jaya	5 - 6km	2	-
Bangsar Baru	200m	4	5
Kimisawa	7km	2	-
Bangsar Night Market	400m	3	-
Door-step Vendor	-	6	-

When asked why they prefer to go to TMC, the respondents cited the reasons that it is the nearest supermarket to Bangsar Baru, also, a wide range of food stuff is available there and buying on credit is permitted.

The households which were interviewed in Bangsar Baru, use their own cars for transport to the various marketing or shopping areas mentioned earlier. This means of transport plays an important role in this area. It gives the respondents greater mobility. The respondents are able to compare prices of products in different areas and hunt for cheaper goods. But there is no guarantee that goods sold in those areas are cheaper than those sold in their neighbourhood as prices of goods depend very much on the supply available. One must take into account that the journey to these places results in extra expenditure in terms of petrol consumption and parking fees. The more they frequent the shopping areas, the higher the transport expenditure. They also have to spend extra time to scout around for the goods that they intend to buy. The parking fees will increase if they take a longer time to do their purchasing. However, the rich can afford to pay for these extra expenses. In fact, they do not mind paying them.

CHAPTER IV

SRI PAHANG FLATS: AN ANALYSIS ON THE LIFESTYLES OF THE LOW INCOME
RESPONDENTS

In the previous chapter, the lifestyles of the respondents of
Bangsar Baru was analysed. This chapter's discussion will deal with
the second settlement selected for this study: Sri Pahang low cost
flats. Compared to the respondents of Bangsar Baru whose ages range
from thirty to fifty years, the majority of the heads of the families
interviewed in Sri Pahang Flats are between thirty-six and sixty
years old. (See Table 4.1)

4.1 Sri Pahang Flats: Age range of heads of the families

Age Range	Number of Person
21 - 25	1
26 - 30	1
31 - 35	2
36 - 40	8
41 - 45	6
46 - 50	12
51 - 55	10
56 - 60	8
61 - 65	1
66 - 70	1
Total	50

Many of these respondents have started their own families early in life. This can be gathered from the fact that some of their children have already completed their schooling and are presently working. In one case, a middle-aged woman is taking care of her grandchildren for one of her daughters.

Interviews with the heads of the families revealed that most of them hold jobs which do not demand professional qualifications. Most of them work as foremen, tailors, hawkers, construction workers, taxi drivers, etcetera (See Table 4.2). However, it is interesting to note that the younger generation of these families have secured better jobs than their parents. Many of them have obtained higher levels of education compared to their parents. It was found that quite a number of them are employed in the private sector where they hold positions as supervisors, bank and audit clerks and sales representatives. Some are also with the civil service. Many of them secure these jobs after completing their Form Five or Form Six education.

4.2 Sri Pahang Flats: Types of Occupation of Heads of Families

Occupation	Number of Person
Foreman	4
Tailor	3
Fitter	1
Lorry Attendant	1
Pensioner	7
Taxi Driver	5
Watch Maker	2
Electrician	1
Hawker	6
Technician	1
Construction Worker	3
Carpenter	2
Junior Officer	1
Lorry Driver	2
Washer Woman	1
Clerk	1
Salesman	2
Civil Servant	3
Supervisor	2
Security Guard	1
Not Working	1
Total	50

Due to their blue-collar jobs, it was discovered that the monthly income of each household is comparatively very much lower than that of those who live in Bangsar Baru. Survey data revealed that the monthly income of those who reside in Sri Pahang Flats range from $600/= to $1,880/= per household. The women who stay in Sri Pahang Flats differ from those who reside in Bangsar Baru careerwise. The majority of women in Bangsar Baru are working mothers. However, a large number of those from Sri Pahang Flats are housewives, except for a few who work as baby-sitters, washer-women and hawkers. Therefore, the monthly income of households which are selected for the study are either mainly contributed by a sole bread-winner, that is, the heads of the families or also contributed by their children who are working. The findings showed that there is a close relationship between three factors: education, occupation and income. If the level of education is low, the possibi-lity of obtaining a blue-collar job is higher and this means that the income received will be low. Although the cost of living in Sri Pahang Flats is not as high as in Bangsar Baru, each household must pay a monthly flat rental. An interview with the officer-in-charge of Sri Pahang Flats revealed that the flats are strictly rented out to families and are never sold.

The size of the families in Sri Pahang Flats is larger when compared to the relatively small families of Bangsar Baru. There

is an average of four to eight persons in one flat. As the number
of people per flat is slightly more than that of Bangsar Baru, the
consumption of basic necessities for these families will naturally
be higher. It was discovered that the greatest expenditure of most
of these poorer families is incurred by the basic necessities such
as food, shelter and basic amenities such as electricity and water.
It is assumed that the poor have to spend a higher percentage of
their income for basic necessities since their take-home income is
less than that of the rich. Survey data revealed that 82% of the
families interviewed spend at least half of their monthly income on
basic necessities. (See Table 4.3 and Figure 3)

4.3 Sri Pahang Flats: Pattern of expenditure on basic necessities
with respect to total household income

Total Income (percentage spent)	Number of Household
10 and below	-
10 - 20	-
20 - 30	-
30 - 40	1
40 - 50	18
50 - 60	12
60 - 70	7
70 - 80	22
80 - 90	-
90 - 100	-
Total	50

Number of
household

40
38
36
34
32
30
28
26
24
22
20
18
16
14
12
10
8
6
4
2
0

0-10 10-20 20-30 30-40 40-50 50-60 60-70 70-80
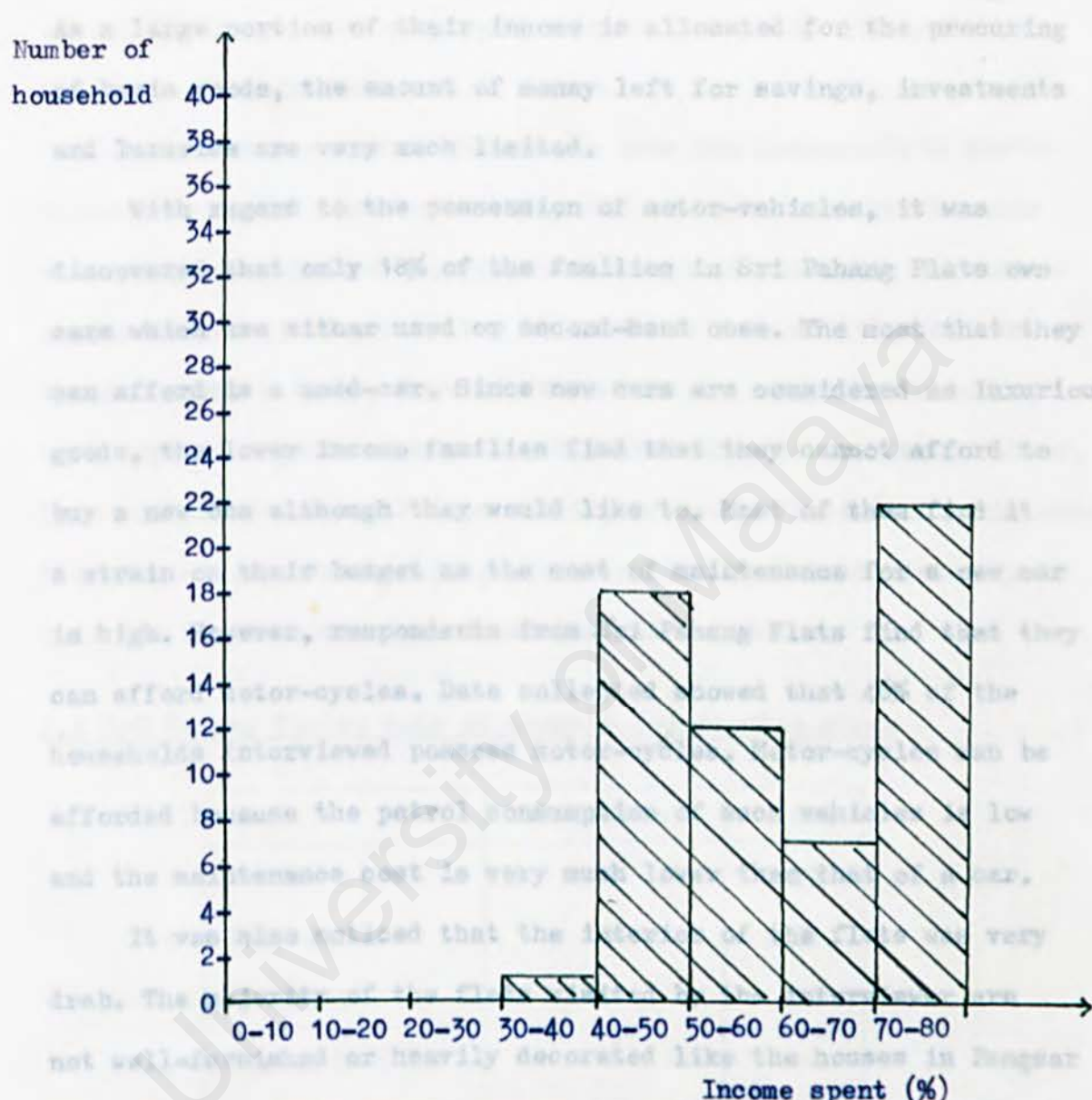
Income spent (%)

Figure 4.1:- Sri Pahang Flats: Pattern of expenditure on monthly basic goods with respect to total income.

37/...

As a large portion of their income is allocated for the procuring of basic goods, the amount of money left for savings, investments and luxuries are very much limited.

With regard to the possession of motor-vehicles, it was discovered that only 18% of the families in Sri Pahang Flats own cars which are either used or second-hand ones. The most that they can afford is a used-car. Since new cars are considered as luxurious goods, the lower income families find that they cannot afford to buy a new one although they would like to. Most of them find it a strain on their budget as the cost of maintenance for a new car is high. However, respondents from Sri Pahang Flats find that they can afford motor-cycles. Data collected showed that 46% of the households interviewed possess motor-cycles. Motor-cycles can be afforded because the petrol consumption of such vehicles is low and the maintenance cost is very much lower than that of a car.

It was also noticed that the interior of the flats was very drab. The majority of the flats visited by the interviewer are not well-furnished or heavily decorated like the houses in Bangsar Baru. Most of their furniture are old and rather worn out and only a limited number of the families have carpets in their sitting rooms and some do not own televisions or video sets. Households in Sri Pahang Flats make do with the ordinary flourescent lamps instead of the elegant chandeliers as found in Bangsar Baru. Their sitting-room furniture are local-made and their prices do not

exceed $800/= per set compared to those which cost at least $800/= in Bangsar Baru.

It was observed that the people from Sri Pahang Flats prefer to save up enough cash before they buy an expensive item because they face cash-limitation. Payment through installments or hire-purchase is one thing they try to avoid as this will be hard on their monthly budgets. However, this does not mean that nobody buys expensive goods through monthly installments or hire-purchase. Data collected showed that purchasing of goods via installments exist (See Table 4.4). For example, eleven of the households interviewed paid for their televisions in monthly installments.

4.4 Sri Pahang Flats: Mode of payment for durable goods

Goods	Installment	Cash
Radio	-	45
Television	11	38
Video Set	8	31
Sewing Machine	1	42
Refrigerator	4	45

Interviews with the families at Sri Pahang Flats revealed that they find it convenient to shop in the near or immediate vicinity as most families rely very much on buses or taxis as

their means of transport. Survey data disclosed that 86% of the
respondents interviewed frequent the market and the sundry shops
at the ground floor of the flats. In this way, they save a lot
on transport. In addition to this, they have accessibility to
fresh supplies. However, stocks available are generally limited
as the market and shops are relatively small establishments. It
was ascertained that a mere 8% of the respondents in the flats do
their weekly marketing in Kuala Lumpur or Bangsar and these are
mainly families which possess their own cars or motor-cycles (See
Table 4.5).

4.5 Distance and venue for purchasing non-durable household goods

Venue	Distance	Wet Market Goods	Sundry
Flats Market	50m	43	37
Bangsar	400m	1	10
Kuala Lumpur	6 - 8km	4	1
Petaling Jaya	5 - 6km	-	1

Although the respondents in Sri Pahang Flats realize that buying
in bulk is cheaper for them since their household consumption of
basic necessities is high, they seldom do so because they have
limited cash. The shops they frequent also permit them to buy on

monthly credit. However, the majority of these families refuse
to purchase on credit as they will have to clear their debts at
the end of each month. This will create financial restraints where
their monthly budget is concerned.

CHAPTER V

FINDINGS AND CONCLUSION

The Engel's Law states that as income increases, the percentage of income spent on basic necessities will decrease and the percentage spent on luxurious goods tends to increase. On the other hand, if the income is low, the percentage spent on basic goods will be high and the percentage spent on luxurious goods will be low. Since data for this study were collected from two different groups of respondents in Bangsar, it is designed in such a way that the high income consumers is represented by the respondents from Bangsar Baru whereas the low income consumers is represented by the respondents from Sri Pahang Flats.

Findings from the research showed that 82% of the respondents from the low income households spend at least half of their income on basic necessities whereas only 2% of the respondents from the higher income households spend more than half of their income on basic necessities. Since 82% of the lower income group of respondents spend more than 50% of their income on basic necessities, therefore, only 18% of them spend less than half of their income on basic necessities. It is then assumed that 18% of the remaining respondents from this income group can afford to spend more on other necessities which might include luxurious goods or there is a possibility that the money might be channelled to their savings.

Findings also revealed that only 2% of the respondents from the higher income group spend more than half of their income on basic necessities. This means that 98% of them spend less than half of their income on basic necessities and they can afford to spend more on non-basic necessities. Survey data showed that the majority of the households from this income group spend between 10% - 20% of their income on basic necessities.

The assumption that the richer respondents can afford to spend more on luxurious goods retains validity for the findings of the survey revealed that 100% of the respondents from Bangsar Baru own at least one car compared to only 18% of the respondents from Sri Pahang Flats who possess second-hand or used cars. These findings showed a very distinct difference between the higher income and the lower income group with regards to the ownership of vehicles. In addition to this, the higher income group can also afford to buy bigger and more expensive imported cars compared to the lower income group.

Interviews with the respondents from Bangsar Baru showed that the majority of them own a double-storey terrace house of their own compared to the households in Sri Pahang Flats who can hardly afford to buy a low-cost house. On top of that, the higher income consumers in Bangsar Baru can afford extra expenses on interior decorations for their houses such as imported furniture, pianos, the latest kitchen utensils, carpets and other such

luxurious items which are not found in the flats.

Findings also revealed that the respondents from Sri Pahang Flats tend to bargain for a lower price for expensive items as they have limited cash. They will also look around more in search of the lowest possible price for the same product. Only then will they make the final purchase decision. However, the respondents from Bangsar Baru are not governed by such limitations as shortage of cash. Hence, they seldom go around comparing prices unless they have the time to do so, instead they are willing to purchase the product at a price considered reasonable to them although the price may not be the lowest possible. Considered in such light, the richer group can afford to pay more than the poorer group especially when it comes to purchasing expensive items. Based on the above findings, it can be concluded that as income increases, the probability of purchasing luxurious goods is greater.

As the quantity of the consumption of basic necessities depends very much on the size of a family, it will be a waste if the family continues demanding for excess if the monthly income increases. The best that they can do is to spend a slightly higher percentage of their income to improve the quality of their food. If they still have extra money after improving the quality of their food, then chances of spending on luxurious goods are very probable.

In conclusion, the study seems to confirm that to date, Engel's Law, viz, as income increases, the percentage of income spent on

basic necessities will decrease while the percentage spent on luxurious goods tends to increase and vice versa when the income is low. Survey data point to the fact that the percentage of monthly income spent on basic necessities of the respondents from Bangsar Baru is relatively lower than that of the respondents from Sri Pahang Flats. On the other hand, their consumption of luxurious goods is higher than those from Sri Pahang Flats. However, there are exceptions because the findings also revealed that 2% of the respondents from Bangsar Baru spend more than half of their income on basic necessities and another 18% of the respondents from Sri Pahang Flats spend less than half of their income on basic goods.

The 2% is a very negligible percentage. The 18% was accounted by the fact that there was a small percentage of the Sri Pahang Flats respondents whose highest income ($1,880/=) almost matches the 2% of the lowest income ($1,900/=) of the Bangsar Baru respondents. The difference between the amount is only $20/= and is considered a nominal amount. Thus, this finding showed that an overlap between the highest income of Sri Pahang Flats and the lowest income of Bangsar Baru is possible if the study were to be exhaustive and made to cover a larger number of respondents. The findings also revealed that the 2% from Bangsar Baru and the 18% from Sri Pahang Flats showed that these two particular groups of respondents do share the same life-styles.

Photo 1:- Part of Block 2 and Block 3 of Sri Pahang Low
Flats.

Other Low Cost Government Sponsored Flats Near Sri Pahang Flats..

Photo 2:- Flats Behind Block 1 of Sri Pahang Flats

Photo 3:- Flats Behind Block 2 of Sri Pahang Flats

Sundry Shop Lots at Sri Pahang Flats

Photo 4:- Sundry Shop Lots at the Ground Floor of Block 1

Photo 5:- Close View of the Sundry Shops at the Ground Floor

of Block 1

Photo 6:- <u>Double Storey Terrace Houses in Bangsar Baru</u>
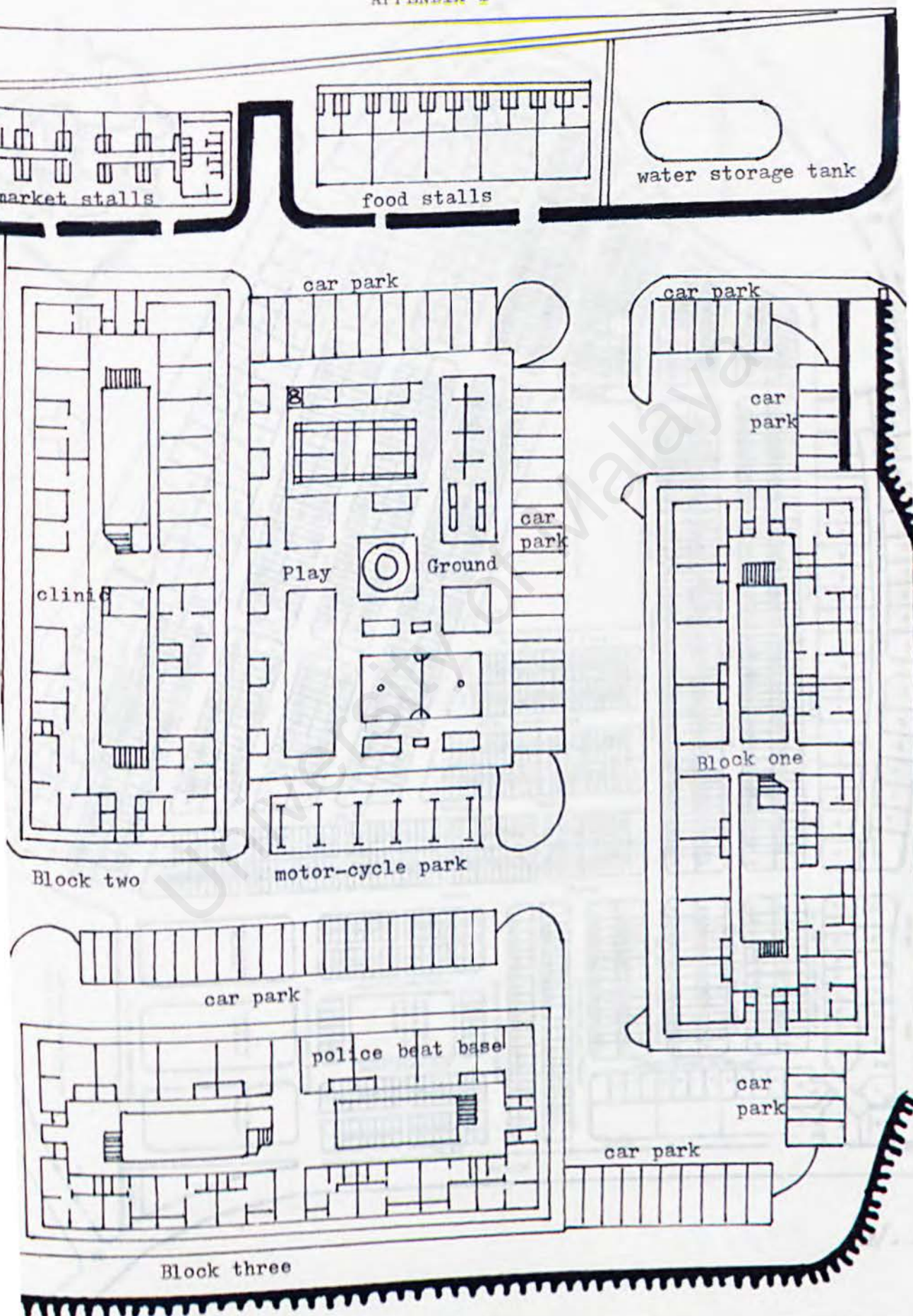

Photo 7:- <u>Sundry Shops Frequented by Bangsar Baru Residents</u>

49/...

Photo 8:- <u>Shops in Bangsar Baru with Types of Goods Sold</u>

market stalls

food stalls

water storage tank

car park

clinic

Play Ground

car park

car park

Block two

motor-cycle park

car park

car park

Block one

police beat base

car park

car park

car park

Block three
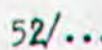
APPENDIX II

APPENDIX 3

CONSUMER STUDY

Interviewer: _____ Date: _____

Group: _____

Address: _____

_____

Household Information

	Sex	Age	Relation with FH	Occupation	Monthly Salary
Family Head (FH)					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					

- 53 -

Monthly Expenditure

Types of Goods	Amount Spent ($)
Food	
Grocery	
Perishable goods i.e. fish, meat, vegetable	
Utilities	
Electricity	
Water supply	
Telephone bill	
Transportation	
Petrol	
Insurance	
Road Tax	
Bus/Taxi fare	
Entertainment	
Debts	
Personal Debts	
Corporation Loan	
Hire-purchase (specify)	
Others (specify)	
Saving and Investment	
Corporation	
"Amanah Saham Nasional"	
"Tabung Haji"	
Chitfund	
Others (specify)	
Other expenditures	
Specify	
Total	

_

Present Family Savings

Types	Purchase Price	Present Value
Cash		
Shares		
Properties:- house, land, factory, etc. (specify)		

Present Family Debts

Types	Total Debts
Sundry/Grocery debts	
Corporation	
Hire-purchase (specify)	
Others (specify)	

Purchase of Family Property Exceeding $100/=

Goods	Price	Payment*[1]	Financial Source*[2]
Bicycle			
Car			
Motor-cycle			
Household furniture			
Radio			
Television			
Video set			
Sewing Machine			
Refrigerator			
Jewellery			
Poultry			
Land			
House			
Crockery			
Carpet			
Rubber mat			
Others (specify)			

*[1] - Means of Payment such as cash, hire-purchase, installment, etc..

*[2] - Financial Source such as savings, chitfund, loans (if loan,

specify from where/who), etc..

Purchase Pattern of Goods/Services

Goods	Place of purchase •	Distance	Transport	Payment	Purchase frequency	Reason for purchasing
1. Dry edible goods rice						
cooking oil						
sugar						
2. Perishable goods vegetables						
meat						
fish						
3. Electrical Appliances television						
fan						
video set						
refrigerator						
kettle						
4. Household Appliances cupboard						
tables, etc.						
5. Medical Care						
6. Cinema						
7. Hair Saloon						
8. Petrol						
9. Motorcycle/Motorcar						
10. Bank						

• — Location must be determined on map.

APPENDIX IV
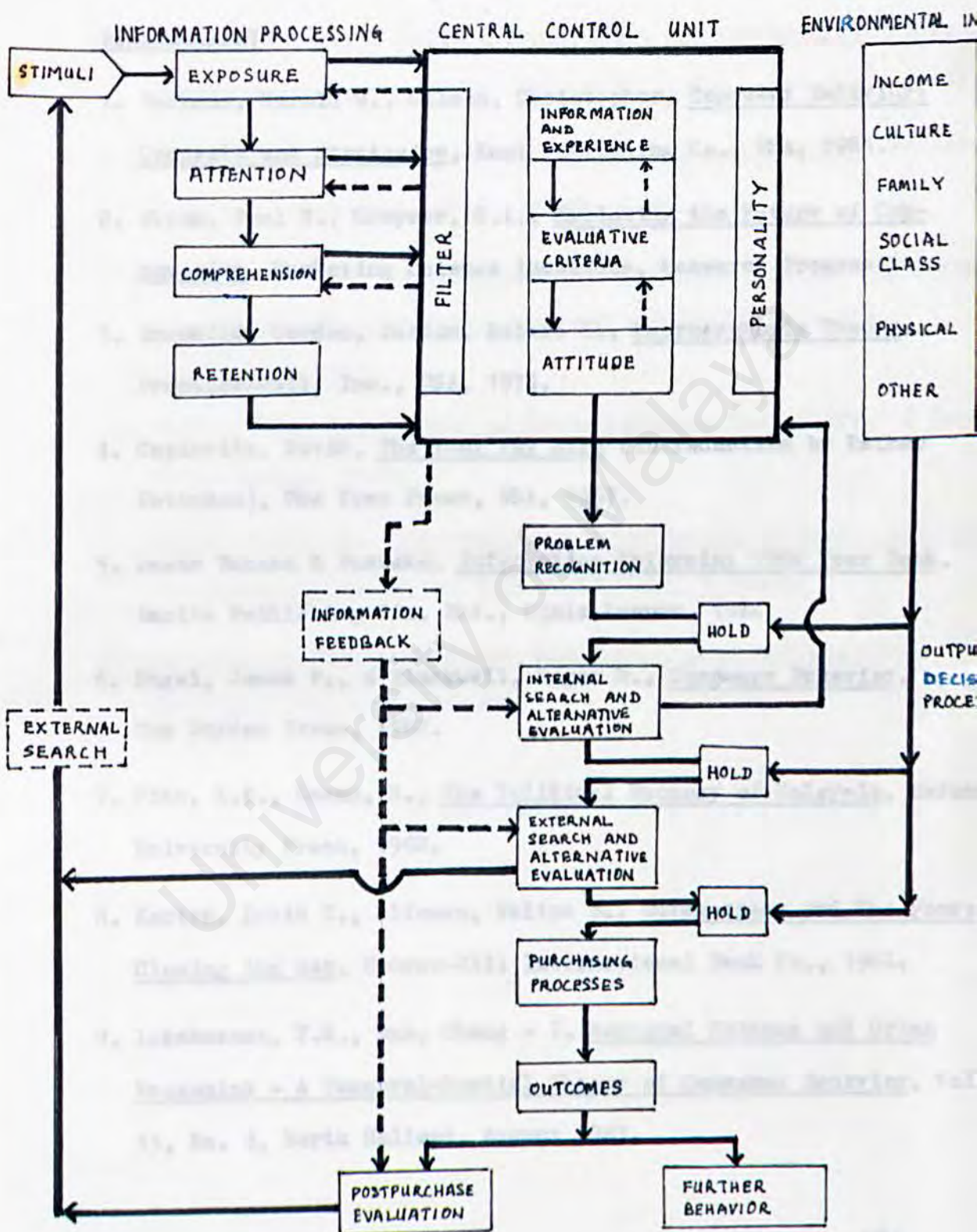
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